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## Abstract

Several studies have focused on the increasing gender diversity in the boardrooms of corporations; both on what causes the increase and how this affects performance. Institutions of higher education also have governing boards but their incentive structures are quite different than those of corporations, thus providing a unique opportunity to study the increase in gender diversity on those governing boards. In this paper, I look specifically at public institutions of higher education and how the gender and political characteristics of those appointing and confirming trustees to the boards affect their decision to appoint a female versus a male trustee. The results suggest that those boards in states with larger shares of female legislators have higher probabilities of appointing and confirming female trustees to a board. Additionally, if the governor is a Democrat, he or she is 6-7% more likely to appoint a female trustee.

## Keywords

higher education, gender, administration, trustees, public universities, performance, diversity

## Comments

### Suggested Citation

Martin, M.L. (2010). *Governor's choice: gender composition of trustee boards at public universities* [Electronic version]. Retrieved [insert date], from Cornell University, School of Industrial and Labor Relations site: <http://digitalcommons.ilr.cornell.edu/workingpapers/113/>

### Required Publisher Statement

Published by the [Cornell Higher Education Research Institute](#), Cornell University.

# **Governor's Choice: Gender Composition of Trustee Boards at Public Universities**

by

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October 2010

## **Abstract**

Several studies have focused on the increasing gender diversity in the boardrooms of corporations; both on what causes the increase and how this affects performance. Institutions of higher education also have governing boards but their incentive structures are quite different than those of corporations, thus providing a unique opportunity to study the increase in gender diversity on those governing boards. In this paper, I look specifically at public institutions of higher education and how the gender and political characteristics of those appointing and confirming trustees to the boards affect their decision to appoint a female versus a male trustee. The results suggest that those boards in states with larger shares of female legislators have higher probabilities of appointing and confirming female trustees to a board. Additionally, if the governor is a Democrat, he or she is 6-7% more likely to appoint a female trustee.

## Introduction

Recently, there has been a lot of discussion about how well women are represented in leadership positions, both in corporations and in government. Several studies looked at the slow growth of women in positions of leadership, as well as how they have affected the organizations they lead. When looking at corporations, the performance of the firm has been one of the main outcomes of interest. Campbell and Vera (2008) study firms in Spain where there was previously very low participation by women on boards of directors. They find that increasing the gender diversity of boards has a positive effect on firm values; investors do not penalize firms increasing their share of female directors. Another important function that boards perform is monitoring. Adams and Ferreira (2009) find that female directors are more involved in the board and are more likely to join monitoring committees and that gender-diverse boards allocate more effort to monitoring. However, they also find that the average effect of gender diversity on firm performance is negative so they do not recommend mandating “gender quotas” for directors. Farrell and Hersch (2005) find that the likelihood of adding a woman to its board is negatively affected by the number of women already on the board and the likelihood of adding a female director increases notably when a female director leaves the board. Their results suggest that corporations are mostly responding to calls for diversity, either internally or externally.

Institutions of higher education have similar elements in their structure to corporations, in particular, with respect to a governing board. The governing board might be composed of trustees or regents, but they all perform many of the same basic functions. Looking at universities and colleges provides the unique opportunity to study boards that have very different goals from corporations. Throughout the rest of this paper, I will refer to the academic governing board as the board of trustees and the board members as trustees.

According to the Association of Governing Boards of Universities and Colleges (AGB), governing boards have three main purposes.<sup>1</sup> First, boards are to set and clarify the institution's mission and purpose. This is an extremely important role since this sets the tone for the entire university in terms of hiring, managing its resources, and guiding the education offered there. Second, boards are to appoint and evaluate the president (or chancellor). They do this by creating an environment in which presidents feel properly compensated for the responsibilities they have and by clearly delineating their responsibilities and the path set by the board for the institution. Third, boards are to support the president in his or her duties. They do this as they support the president when there are unpopular, but appropriate decisions to make or by offering any criticisms or corrections of performance in private rather than in public. These purposes are shared by boards governing both public and private institutions alike. Private boards also have a few additional responsibilities that are shared only to a lesser extent with the public boards, such as fundraising and maintaining the institution's independence. The governing board has a significant influence on the institution it governs through the described mechanisms.

In recent years, both types of boards have seen an increase in the share of female trustees serving on boards of trustees. As seen in figure 1, there has been a steady increase among private boards and a more volatile increase among the public boards, though generally they have increased by the same amounts. Since the public boards are much more transparent to the general public, they will respond more quickly to the changing attitudes of the public in regards to equality for women and encouraging women to pursue leadership positions. The private boards are more controlled and internally regulated and so proceed at a much more sedate manner. They also do not change political hands quite as often as public boards do. My study focuses on the public boards and the gender and political characteristics

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<sup>1</sup> See the articles "What Do Public Boards Do?" and "What Independent Boards Do".

of the governors and legislative bodies that appoint trustees to those boards because of the availability of data on the process by which public boards of trustees are appointed. I use these data to “explain” why changes in the number and shares of trustees that are female vary across institutions.

## **Data & Methodology**

The most unique part of my data is the gender composition of members of boards of trustees. With the assistance of the AGB, a survey was conducted by the Cornell Survey Research Institute for the Cornell Higher Education Research Institute (CHERI).<sup>2</sup> Of the group of 4-year colleges and universities selected to be surveyed, 69.7% of them (509/730) responded to the survey. In this survey, institutions were specifically asked to report the numbers of female trustees and total trustees for each year from 1981 to 2007. Figure 1 is based on data from these surveyed institutions and shows how the share of female trustees has grown during this time period for both public and private institutions. As shown in this graph, the public institutions have grown in sudden leaps while the private institutions had a steadier growth. However, even with varying growth rate, private and public institutions have about the same growth in the share of female trustees during this time period. For this study, I am focusing solely on the 115 public institutions found among the 509 institutions that responded to the survey.

It is important to note that although these schools responded to the survey, they did not always report answers for every variable and every year between 1981 and 2007. There were far more answers to the questions in the more recent years than those from the earlier years. For example, in 1981 there were 92 institutions that responded to the question on the number of female board members while in 2007 all 115 institutions responded to that question. Similarly, the number reporting the total number of trustees increased from 93 in 1981 to 115 in 2007. However, the institutions that failed to report

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<sup>2</sup> If desired, one can find more information about the survey and the survey results in Ronald Ehrenberg and Joyce Main (2009) and on the CHERI web page ([www.ilr.cornell.edu/cheri](http://www.ilr.cornell.edu/cheri) )

data for some of the variables in some years do not differ much from those with complete information, except that they appear to have slightly larger boards of trustees. In Figures 2 and 3, I compare the sample of public schools that have each year of data for that variable (the lines labeled as *Avg (no missing)*) to the entire sample of public schools (the lines labeled as *Avg (missing included)*). These figures show how the two groups compare when looking at the average number of female trustees and the average total number of trustees. They look fairly similar for the female and trustee numbers and only differ by 0.2 members at most for the total trustee number.

AGB also maintains a database at the Ingram Center for Public Trusteeship and Governance containing information about how the members of boards of trustees are appointed. This data included the length of term for the board members, the number of members that are appointed by the governor, whether those appointees are confirmed by the legislature, how many are appointed directly by the legislature, and other means of appointment. Given that the governor and the legislature play such a large role in appointing members to the boards of trustees for public institutions, it was important to find data on the gender and party affiliations of the governor and state legislature each year. This data was obtained from the yearly publications of the Book of States published by the Council of State Governments. During the sample period, only 12 women ever served as governor. Figure 4 shows how the gender composition of state legislatures has been changing from 1981 to 2007. Information on the gender compositions of the bodies of state legislatures was obtained from the Center for the American Women and Politics, contained within the Eagleton Institute of Politics at Rutgers University.

Ideally, I would like to examine each instance that a seat on the board became available and see whether a male or female trustee was chosen. However, with the data from the survey, I cannot observe if a female replaced a female or if a male replaced a male. Instead, I observe the change in the

number of female trustees and the change in the share of female trustees.<sup>3</sup> I look at the change in these variables so that I do not give credit to the current governor and legislature for the decisions made by their predecessors. Additionally, I include the lag of the number of female trustees (or the share of female trustees when the change in share is the dependent variable) since I expect the number and share of female trustees already on the board will affect the pressure to increase the presence of female trustees on the board. For instance, I expect that those boards that already have many female trustees to have less pressure to increase the presence of female trustees on the board; thus, I expect the coefficient on this variable to be negative. The terms in the equation are explained in greater detail in the paragraph below the following equation used in this analysis:

$$\begin{aligned} \Delta share_{female} = & \alpha_1 * GA * gov_{fem} * share_{Eopen} + \alpha_2 * GA * gov_{Dem} * share_{Eopen} \\ & + \beta_1 * LA * share_{legfem} * share_{Eopen} + \beta_2 * LA * share_{legDem} * share_{Eopen} \\ & + \delta_1 * LC * share_{legfem} * share_{Eopen} + \delta_2 * LC * share_{legDem} * share_{Eopen} \\ & + \phi_1 * GA + \phi_2 * GA\_LA + lag\_share_{female} \end{aligned}$$

I estimate another equation that is the same except that the dependent variable is the change in the number of female trustees and, on the right hand side of the equation, the *lag\_sharefemale* variable is replaced by the *lag\_female* variable, or the number of female trustees from the year before. The vast majority (76%) of the trustees appointed to boards are appointed by the governor. In determining whether and how much the characteristics of the governor should matter, I create a variable that is the share of board members appointed by the governor (*GA*) and interact that with whether the governor is female and whether the governor is a Democrat. Thus, the coefficients of those terms show us the impact of the governor having these characteristics relative to being a male Republican governor. Additionally, for those trustees appointed by the governor, there are some states that require that new

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<sup>3</sup> Konrad, Kramer, and Erkut (2008) discuss how number of women on a corporate board matters in terms of women making a difference on the board and its discussions and decisions.



board members also need to be confirmed by the legislature. In some states, trustees only need to be confirmed by the Senate, but others need to be confirmed by the General Assembly, which is both the state Senate and state House combined. In the sample, 80% of the trustees appointed by the governor need to be confirmed by the legislature. I have created a dummy variable for each situation (*LC*) which is then interacted with the gender and party composition of the type of legislature body it applies to (the Senate or the General Assembly). Then the two measures are combined into a single variable for each characteristic of the legislature for when the legislature confirms appointments, share of female legislators ( $LC*sharelegfem$ ) and share of Democrat legislators( $LC*sharelegDem$ ).

Similarly, in some states, the legislature appoints some of the trustees and I have interacted the share of trustees that the legislature appoints (*LA*) with the characteristics of the legislative bodies that are appointing the trustees, share of female and Democrat legislators( $LA*sharelegfem$  and  $LA*sharelegDem$ ). Also included in the regression are two dummy variables that effectively split the sample into three groups: *GA* for those boards whose trustees are only appointed by the governor, *GA\_LA* for those boards whose trustees are appointed by a combination of the governor and the legislature, leaving the final group as the boards whose trustees are only appointed by the legislature.

Finally, each of these variables is interacted with the expected share or number of open seats available (*shareEopen* or *Eopen*). This is because those boards with more available seats each year will feel a greater influence from the current characteristics of the governor and state legislatures than those that change much more slowly. I use the expected number of open seats as the total number of board members divided by the length of the term of the board members. I use the expected number of open seats because I do not have data on actual open seats because some vacancies occur through death, sickness, or people choosing to step down for personal or political reasons. When the dependent variable is the change in the share of female trustees on the board instead of the change in the number

of female trustees, I weight each variable by the expected share of open seats (*shareOpen*) instead of the expected number (*Open*). Additionally, included in each regression are controls for any missing variables. Finally, I do both weighted and unweighted OLS regressions of the data where the weights are the size of the board of trustees. In this way, I can see if the results are different for large and small boards.

## Discussion & Conclusion

Table 1 presents the results when the share of trustee board members who are female is the dependent variable. The first two columns present the unweighted regression results while the last two columns present results when each observation is weighted by the size of the board. As compared to having a governor who is Republican, having a Democratic governor increases the probability of a female trustee being appointed by 6 to 7 percentage points. This remains true, even when a year fixed effects are added to the model (columns 2 and 4). The actions of the governor are quite visible and the platforms for Democrat campaigners often include some policy about increasing the role of minorities (including women in areas where females are traditionally underrepresented) in various capacities. Thus, when a governor is appointing a trustee, this is a fairly visible way to appoint a woman to a leadership position where that decision will not encounter much resistance.

The effect of having a female governor is not statistically significant in any specification, though it is similar in magnitude to that of having a Democratic governor in Table 2, which presents results when the dependent variable is the change in the number of females on the trustees board. The impact of having a female governor is likely imprecisely estimated because there are only 12 instances of a female governor in the entire dataset, which comprises only 5.6% percent of the board-years that we are using. It is interesting to note that the gender composition of the legislatures that appoint and confirm the appointees does in fact make a difference. Additionally, when the regressions are weighted by the size

of the board, I find that legislatures with a greater share of female legislators are more likely to appoint female trustees to the board. This could occur because female legislators encourage women to participate more in leadership roles and they directly use the opportunity to appoint trustees to do this.<sup>4</sup> Alternatively, it could be that in some states there are unobserved forces that lead both to increased female participation in the legislature and increased female appointment to boards.

Table 2 contains results that are similar to those in Table 1 but instead the dependent variable is the number of trustees that are female instead of looking at the share of female trustees. When looking at Table 2, I see that many of the same variables as in Table 1 are significant. The magnitudes of the coefficients are larger in general because I am looking at changes in numbers rather than shares. In Table 2, I find stronger and more consistent results that when there are more female legislators, they are more likely to appoint and confirm female trustees. Very few of the boards of trustees are more than 50% and so an increase in the share and the number of female trustees will move the boards closer to equal shares of men and women.

It is important to emphasize that these results are descriptive and should not be interpreted causally or used to establish policy until further studies have been performed. Though the mechanism that is operating here is unclear, my findings on the influence of female legislators on the increase in the share and number of female trustees are consistent with the research on the role of female leaders in the corporate world cited earlier. Moreover, Democrat governors are more likely to appoint female trustees than governors from other parties.

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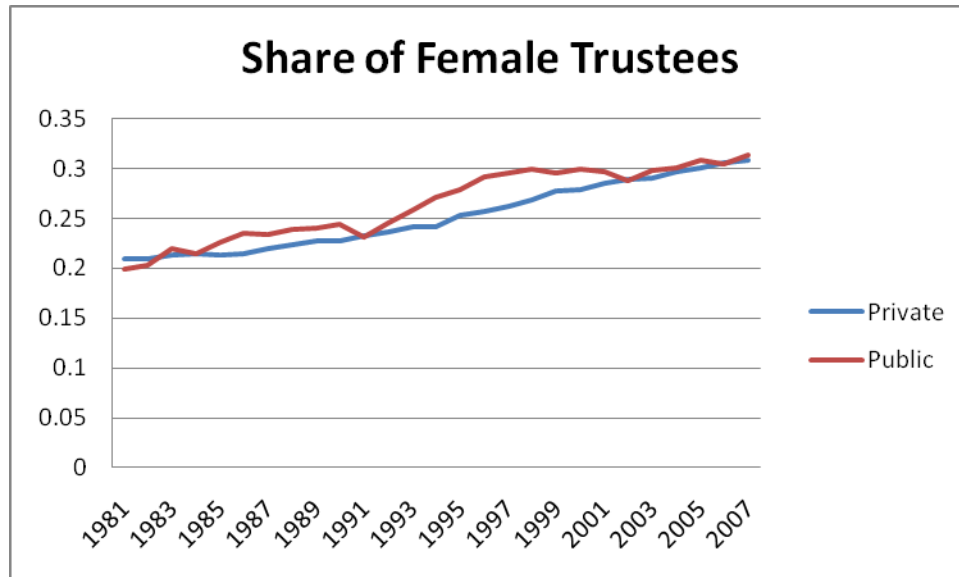
<sup>4</sup> Kurtulas and Tomaskovic-Devey (2008) find results that suggest that women in management play a positive role in women's career advancement (gaining management positions) though these effects die away with time.

## References

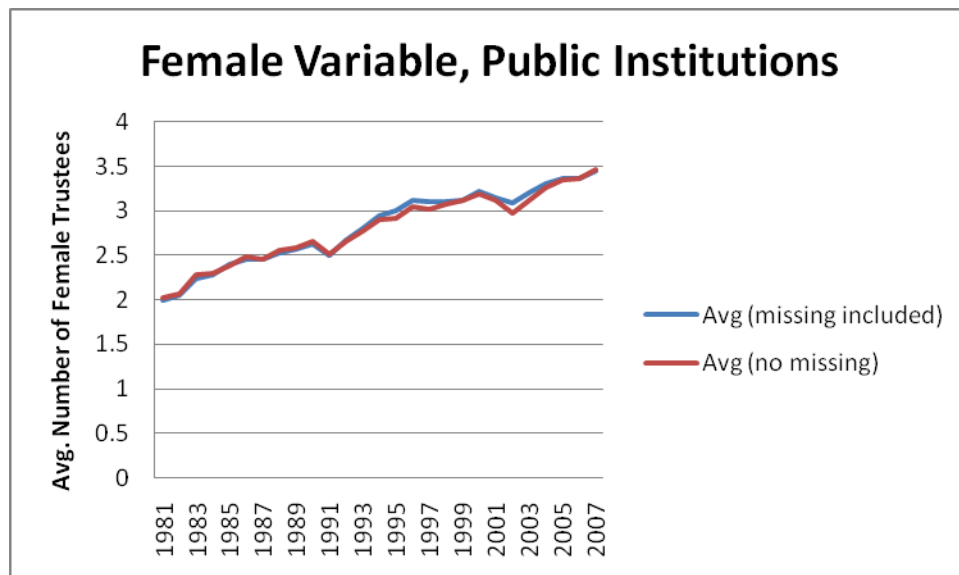
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## Figures and Tables

**Figure 1: Share of Female Trustees at Private and Public Institutions<sup>5</sup>**



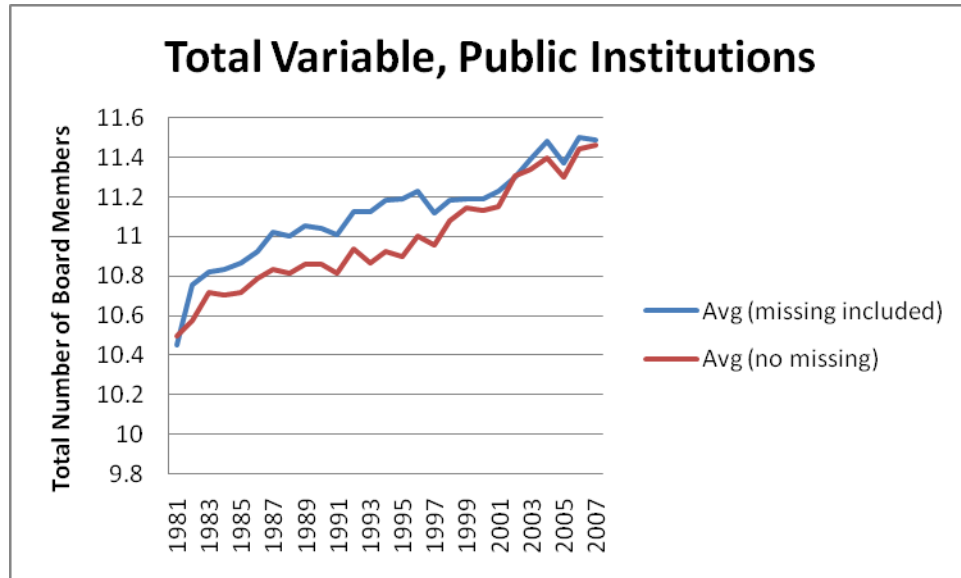
**Figure 2: Average number of Female Trustees, Missing vs Non-Missing<sup>6</sup>**



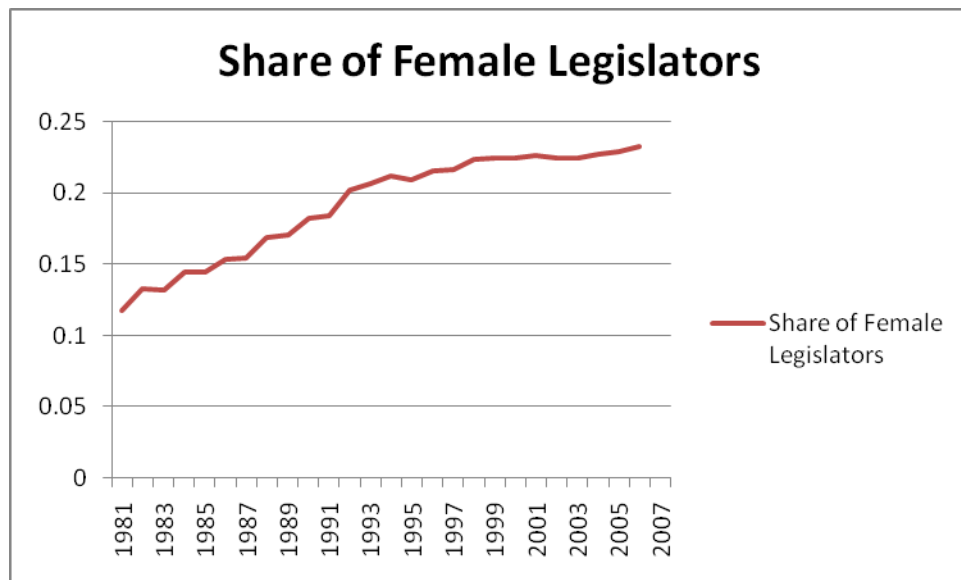
<sup>5</sup> See Figure 5 in Ehrenberg and Main (2009).

<sup>6</sup> Graph created from survey data – more details in Ehrenberg and Main (2009).

**Figure 3: Average number of Trustees, Missing vs Non-Missing<sup>7</sup>**



**Figure 4: Share of Female Legislators in State Legislatures<sup>8</sup>**



<sup>7</sup> Graph created from survey data – more details in Ehrenberg and Main (2009).

<sup>8</sup> Graph created from data found in the fact sheets from the Center for American Women and Politics, Rutgers University.

**Table 1: Change in the Share of Females on Trustee Board**

	Unweighted	Unweighted	Weighted by Board Size	Weighted by Board Size
Governor Appoints*female governor	0.000861 (0.0486)	-0.00372 (0.0490)	0.00704 (0.0487)	0.00219 (0.0490)
Governor Appoints*Democrat governor	0.0636*** (0.0186)	0.0692*** (0.0193)	0.0642*** (0.0178)	0.0680*** (0.0185)
Legislature Appoints*share female legislature	0.566 (0.516)	0.451 (0.521)	0.764** (0.376)	0.708* (0.382)
Legislature Appoints*share Democrat legislature	-0.126 (0.151)	-0.0980 (0.152)	-0.148 (0.106)	-0.136 (0.107)
Legislature Confirms*share female legislature	0.198* (0.109)	0.104 (0.128)	0.227** (0.102)	0.163 (0.122)
Legislature Confirms*share Democrat legislature	-0.0979** (0.0387)	-0.0729* (0.0427)	-0.115*** (0.0359)	-0.0986** (0.0400)
Lagged share of female trustees	-0.161*** (0.0110)	-0.163*** (0.0111)	-0.155*** (0.0107)	-0.155*** (0.0108)
Governor Appoints	0.0115 (0.00838)	0.0108 (0.00839)	0.0139* (0.00744)	0.0133* (0.00746)
Governor and Legislature Appoints	0.00197 (0.00888)	0.00137 (0.00889)	0.00263 (0.00695)	0.00239 (0.00696)
Constant	0.0338*** (0.00802)	0.0371*** (0.0110)	0.0289*** (0.00707)	0.0336*** (0.00996)
Year Fixed Effects	No	Yes	No	Yes
Observations	2495	2495	2495	2495
R-squared	0.083	0.091	0.081	0.089

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

With the exception of the dependent variable and the lagged share of female trustees variable, each variable in these specifications is also interacted with the expected share of open seats available each year.

**Table 2: Change in the Number of Females on Trustee Board**

	Unweighted	Unweighted	Weighted by Board Size	Weighted by Board Size
Governor Appoints*female governor	0.0677 (0.0513)	0.0607 (0.0517)	0.0842 (0.0581)	0.0715 (0.0583)
Governor Appoints*Democrat governor	0.0714*** (0.0171)	0.0758*** (0.0177)	0.0647*** (0.0174)	0.0677*** (0.0181)
Legislature Appoints*share female legislature	0.936*** (0.274)	0.925*** (0.274)	1.055*** (0.203)	1.040*** (0.203)
Legislature Appoints*share Democrat legislature	-0.0843 (0.0751)	-0.0795 (0.0753)	-0.0846 (0.0543)	-0.0805 (0.0545)
Legislature Confirms*share female legislature	0.310*** (0.0935)	0.231** (0.106)	0.265*** (0.0814)	0.197** (0.0918)
Legislature Confirms*share Democrat legislature	-0.0157 (0.0302)	0.00448 (0.0332)	0.0114 (0.0269)	0.0283 (0.0294)
Lagged number of female trustees	-0.155*** (0.0110)	-0.157*** (0.0111)	-0.171*** (0.0115)	-0.172*** (0.0117)
Governor Appoints	0.00156 (0.0806)	-0.000930 (0.0807)	0.0358 (0.0856)	0.0321 (0.0855)
Governor and Legislature Appoints	0.101 (0.0981)	0.103 (0.0982)	0.119 (0.0950)	0.121 (0.0948)
Constant	0.321*** (0.0783)	0.363*** (0.111)	0.330*** (0.0823)	0.353*** (0.119)
Year Fixed Effects	No	Yes	No	Yes
Observations	2496	2496	2496	2496
R-squared	0.080	0.088	0.087	0.100

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

With the exception of the dependent variable and the lagged number of female trustees variable, each variable in these specifications is also interacted with the expected number of open seats available each year.